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SB 449 SD 1 RELATING TO ENERGY

Statement for
House Committee on
Finance
Public Hearing - March 22, 1989

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SB 449 SD 1 proposes to increase from \$15 million to \$20 million the amount of special purpose revenue bonds authorized to be issued to assist the Mauna Kea Power Company, in the construction and operation of a hydroelectric power plant on the Honoli'i stream in Hawaii county.

Our statement does not represent an institutional position of the University of Hawaii.

We have reviewed the Draft Environmental Impact Statement (EIS) for the proposed project and in that review called attention to a number of concerns that need to be addressed in the Final EIS. One of the issues raised during our review was the lack of a cost/benefit analysis in the Draft EIS and the specific issue of debt financing. Such an analysis is needed so that decisionmakers can adequately weigh the economic advantages in light of any environmental consequences. The preparers of the Draft EIS responded that such a cost/benefit analysis is premature since financing and power purchase contracts with HELCO are not yet finalized. We bring up this matter only because the Draft EIS states on page 41 that "the project will bring needed services to the public without ratepayer risk or capital". However, since revenue bonds are being issued, it would appear that the taxpayers of Hawaii are at risk. If the project were to default, we assume that the revenue bonds would be the responsibility of the State. Because the ultimate decisions regarding the approval and construction of this project, are in part, based on economic benefits, we believe a full disclosure of the

economics, including cost/benefit analyses and debt financing should be included in the Final EIS. Acceptance of the Final EIS must occur prior to approval of the project. Authorization to issue the requested funds should be contingent on acceptance of the Final EIS, and subsequent approval of the project.